



F&C UK Real Estate Investments Limited

Interim Report for the
six months ended
31 December 2018

BMO



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Company Overview

The Company

The Company is an authorised closed-ended Guernsey-registered investment company and its shares have a premium listing on the Official List of the UK Listing Authority and are traded on the Main Market of the London Stock Exchange. The Interim Report of the Company consolidates the results of its subsidiary undertakings, which collectively are referred to throughout this document as 'the Group', details of which are contained in note 13 to the Accounts.

The Group elected into the UK REIT regime from 1 January 2015.

Objective

To provide ordinary shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

Management

The Company's investment manager, F&C Investment Business Limited changed its name to BMO Investment Business Limited effective 31 October 2018. There have been no changes to the terms of the management and performance fee arrangements with BMO Investment Business Limited, which are set out in detail in the Annual Report and Accounts to 30 June 2018. The Company's property manager is BMO REP Property Management Limited. Both of these companies are part of the F&C Asset Management plc group which changed its name to BMO Asset Management plc (Holdings) group effective 31 October 2018. Collectively, these companies are referred to in this document as 'the Manager'.

BMO Asset Management plc (Holdings) group is wholly owned by Bank of Montreal ("BMO") and is part of the BMO Global Asset Management group of companies.

Capital Structure

The Company's equity capital structure consists of Ordinary Shares. Subject to the solvency test provided for in the Companies (Guernsey) Law, 2008, (as amended), being satisfied, ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets greater than the value of the liabilities.

Alternative Performance Measures ('APM')

The Company uses a number of alternative performance measures in the discussion of its business performance and financial position. Further information is provided on page 23.

ISA

The Company's shares are eligible for Individual Savings Accounts ('ISAs'). Further information is provided on page 22.

Website

The Company's internet address is: fcre.co.uk and fcre.gg

Financial Headlines



Net asset value total return*

Net asset value total return of 0.0 per cent for the 6 months



Portfolio total return*

Portfolio ungeared total return of 1.0 per cent for the 6 months



Annualised dividend yield*

Annualised dividend yield of 5.4 per cent based on the period end share price



Dividend cover*

Dividend cover was 90.3 per cent for the period

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested. Tax benefits may vary as a result of statutory changes and their value will depend on individual circumstances.

* See Alternative Performance Measures on page 23.

Performance Summary

Total Returns*	
	Six months to 31 December 2018
Net asset value per share	0.0%
Ordinary share price	-5.0%
Portfolio ungeared return	1.0%
MSCI UK Quarterly Property Index	2.4%
FTSE All-Share Index	-11.0%

Capital Values			
	Six months to 31 December 2018	Year ended 30 June 2018	% Change
Total assets less current liabilities (£000's)	351,665	363,706	-3.3%
Net asset value per share	106.0p	108.5p	-2.3%
Ordinary share price	92.2p	99.8p	-7.6%
MSCI UK Quarterly Property Index	126.0	125.7	0.2%
FTSE All-Share Index	3,675.1	4,202.3	-12.5%
Ordinary share price (discount)/premium to net asset value per share*	(13.0%)	(8.0%)	
Net gearing*	26.6%	26.2%	

Earnings and Dividends		
	Six months to 31 December 2018	Six months to 31 December 2017
Earnings per ordinary share	0.0p	7.3p
Dividends paid per ordinary share	2.5p	2.5p
Annualised dividend yield*	5.4%	4.8%

Notes

* See Alternative Performance Measures on page 23.

Sources: BMO Investment Business, MSCI UK Quarterly Property Index, and Thomson Reuters Eikon.

Chairman's Statement



Vikram Lall

The Company has experienced six months of challenging conditions in the UK commercial property market with portfolio capital values decreasing in the period by 1.5 per cent and delivering a total return of 1.0 per cent. The net asset value ('NAV') total return* per share for the period was nil and the NAV per share at the period end was 106.0 pence.

There was caution in the market given the uncertainty surrounding Brexit and concerns over the retail sector. Against this backdrop, the share price fell by 7.6 per cent over the six months. The share price total return* was -5.0 per cent over the period and the shares were trading at a discount* to the NAV of 13.0 per cent at the period end, compared to a discount of 8.0 per cent as at 30 June 2018. This trend has been experienced by other companies in the sector.

Property Market

The UK commercial property market delivered a total return of 2.4 per cent as measured by the MSCI UK Quarterly Property Index for all assets in the six months to 31 December 2018. The return for the year to December was 6.2 per cent. Momentum slowed during the six-month period with both all-property capital growth and rental value growth turning negative in the latter half of the period. This was in part due to significant markdowns for retail property, with regional retail and shopping centres especially affected. The industrial and distribution sector continued its strong out-performance, particularly in the South East, but the pace has eased. The office market performed well, led by offices in the regions

and in the City of London. Total returns for Alternatives also exceeded the all-property average. Investment activity moderated from the levels of a year earlier but remained well above the long-term average, with institutions and overseas purchasers both being net investors in property. Post period there are, however, indications of a marked slowdown in volumes.

In the six months to 31st December 2018, the income return for the Index held steady and the all-property initial yield was unchanged at 4.5 per cent.

Property Portfolio

The Company's property portfolio produced an ungeared return* of 1.0 per cent over the six months to December 2018, trailing the MSCI UK Quarterly Property Index which recorded total returns of 2.4 per cent. The portfolio continues to deliver outperformance against the index over the medium term and the longer term. The main driver of performance for the period was again the above market income return of 2.6 per cent. This management of the income stream has been the mainstay of the portfolio's long-term outperformance.

In keeping with the wider market and continuing the main theme from the last reporting period, positive investor sentiment towards the Industrial sector and successful leasing and asset management activity on the held assets led to the portfolio's industrial and distribution assets again being the key contributors to Company performance. The structural overweight to this sector versus the Index continues to be

beneficial with 38.2 per cent of the Company's asset base classified as South-East Industrials. The portfolio's Offices performed strongly over the period to December, particularly the regional assets, led by asset management and leasing initiatives at Edinburgh Park (HSBC), Royal Standard Place, Standard Hill, Nottingham (The College of Law) and Strathclyde Business Park, Glasgow (Virgin Media).

Retail continues to be of concern, despite the recent repricing in the sector. The Company does not own any shopping centres or department stores but was not immune over the period where performance of the retail warehouse sub-sector was impacted by the Company Voluntary Arrangement ('CVA') of Homebase. While none of the Company's properties affected by the CVA were earmarked for closure in relation to this event, rent receivable and corresponding valuations suffered. The Manager is progressing business plans in relation to these assets. In one case this has included the completion of an insurance lease to a major UK retailer with the head income unaffected. Another is subject to a planning application linked to a proposed pre-let of accommodation to a food-store with adjoining drive through.

With notable uncertainty in parts of the leasing market, continued focus on the basics of keeping properties let and occupied has kept the void rate stable at 4.3 per cent at the period close. This has been significantly reduced post period following the successful leasing of the Company's largest void (the office asset at Standard Hill, Nottingham) as well as the two vacant floors at the Company's largest asset (Berkeley Street, London). The initial yield was 5.1 per cent at period end and the portfolio delivers an average weighted unexpired lease term of 6.1 years to earliest termination.

The strategy for portfolio composition continues to be the retention of an overweight position to

Industrial and Logistics property, continued review of the Alternatives sector for viable investment opportunities and an ongoing active appraisal of the Company's retail exposure given the specific problems currently impacting this sector. The Manager's primary focus has been on the disposal of non-core and secondary assets alongside deployment of Company resources to attractive asset management initiatives within the portfolio. The Company has completed few transactions over the period other than continuing the process of disposing of non-core retail assets. A shop unit in Swindon was disposed of in July, and that has been followed by further activity around the period close. Since the start of 2019 a sale of a Retail Warehouse asset in Gateshead has completed with terms agreed in respect of a further sale from the high street portfolio.

Dividends

The first interim dividend for the year ending 30 June 2019 of 1.25 pence per share was paid in December 2018, with a second interim dividend of 1.25 pence per share to be paid on 29 March 2019 to shareholders on the register on 15 March 2019.

The dividend cover* for the six months was 90.3 per cent, compared with a dividend cover of 95.7 per cent for the year ended 30 June 2018.

The dividend is currently at a sustainable level, and in the absence of unforeseeable circumstances, it is expected that the Company will continue to pay quarterly dividends at this rate, the equivalent of 5.0 pence per share per annum.

Borrowings

The Company currently has borrowings of £97 million made up of a £90 million non-amortising term loan facility agreement with Canada Life Investments which expires in November 2026 and a £20 million 5-year revolving credit facility agreement with

Chairman's Statement (continued)

Barclays Bank plc which expires in November 2020, £7 million of which is currently drawn down. Net gearing* represented 26.6 per cent of the investment properties of the Company as at 31 December 2018. The weighted average interest rate (including amortisation of refinancing costs) on the Company's total current borrowings is 3.2 per cent. The Company continues to maintain a prudent attitude to gearing.

The Company had £9.4 million of cash available at 31 December 2018 with a further £13.0 million of the revolving credit facility also available if required.

Change of Company Name

Shareholder approval was granted at the AGM in November 2018 to change the Company name to BMO Real Estate Investments Limited. This will align the Company's name with the Investment Manager and will be effective from 29 April 2019.

Responsible Property Investment

The Company continues to make good progress with its Responsible Property Investment ('RPI') strategy and set out a series of commitments and targets. Supported by industry specialist Hillbreak, the Manager has developed a framework by which to appraise the Environmental, Social and Governance ('ESG') credentials of the portfolio for the principle purpose of understanding and assessing ESG risk and profile and integrating necessary measures into the asset business planning process.

The Company submitted to the Global Real Estate Sustainability Benchmark ('GRESB') in 2018, achieving a score in line with first time participation, and aims to demonstrate year on year improvement going forward. Recognising that GRESB delivers a single metric against a highly heterogenous asset class, the Company intends to produce an inaugural RPI Report shortly, and follow this with publication of annual RPI Reports alongside the Annual Report & Accounts to

provide greater transparency of performance against ESG factors.

Both the Board and the Manager recognise the importance of maintaining focus on ESG related matters and in continuing to improve insight and capability within this fast-evolving landscape.

Outlook

The short-term outlook is likely to be dominated by Brexit and its economic and political ramifications. This could lead to a period of market volatility and heightened levels of risk aversion from both occupiers and investors. The fall in retail values may also have further to run. The industrials market is likely to continue to benefit from structural change, but perhaps not to the extent witnessed recently. The scope for rental uplifts may be limited by modest rates of economic growth and margin pressure. Any forthcoming rises in interest rates are expected to be gradual and modest but may affect parts of the market which are already highly priced. The market has now passed the peak in the current cycle and for the next few years, performance is expected to be driven by the income return.

Whilst remaining cautious in these uncertain times, we believe that the Company's balanced portfolio offers relatively attractive defensive characteristics, and a sustainable income return, combined with some value enhancing near-term asset management opportunities.

Vikram Lall

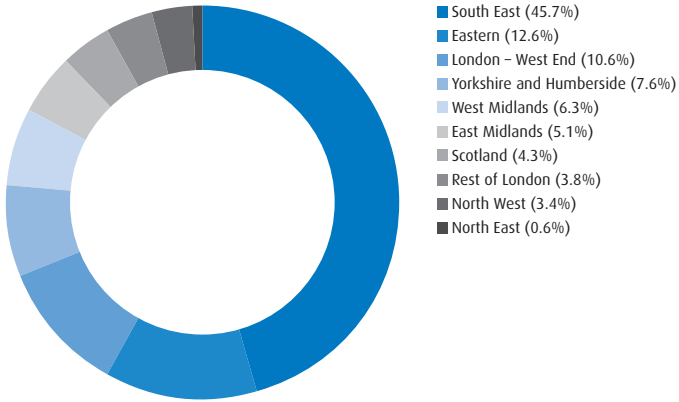
Chairman
22 March 2019

* See Alternative Performance Measures on page 23

Portfolio Statistics

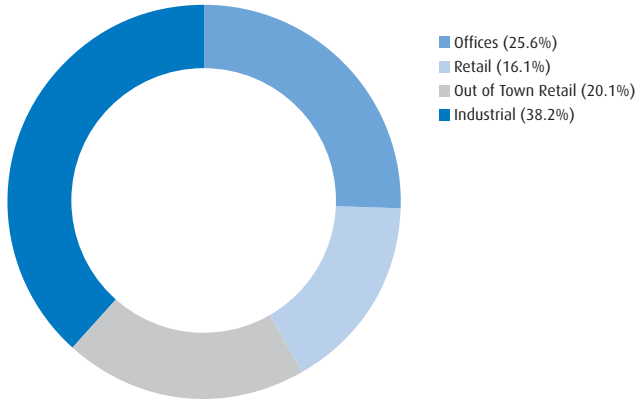
Geographical Analysis

as at 31 December 2018, % of total property portfolio



Sector Analysis

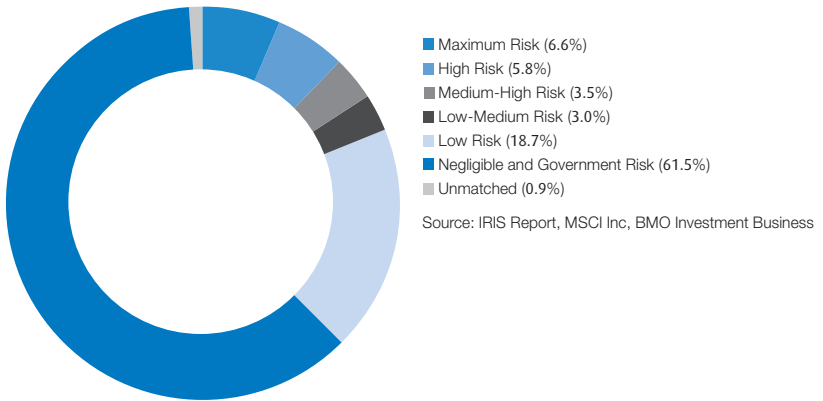
as at 31 December 2018, % of total property portfolio



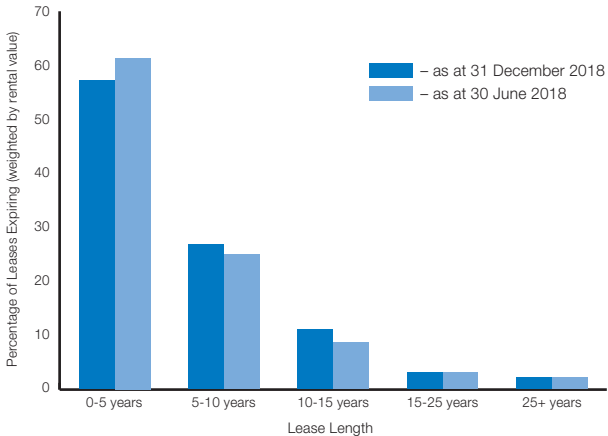
Portfolio Statistics (continued)

Covenant Strength

as at 31 December 2018, % of income by risk band



Lease Expiry Profile



As at 31 December 2018 the average lease length for the portfolio, assuming all break options are exercised, was 6.1 years (as at 30 June 2018: 5.9 years).

Property Portfolio as at 31 December 2018

As at 31 December 2018

	Sector
Properties valued in excess of £10.0 million	
London W1, 14 Berkeley Street	Office
Banbury, Unit 3663, Echo Park	Industrial
Colnbrook, Units 1-8, Lakeside Road	Industrial
Eastleigh, Southampton International Park	Industrial
Hemel Hempstead, Hemel Gateway	Industrial
York, Clifton Moor Gate*	Retail Warehouse
Bracknell, 1/2 Network Bracknell, Eastern Road	Industrial
Edinburgh, Units 1 & 2 Lochside Way, Edinburgh Park	Office
Theale, Maxi Centre, Brunel Road	Industrial
Eastleigh, Wide Lane	Industrial
Properties valued between £7.5 million and £10.0 million	
Basingstoke, Unit K60, Bunzl	Industrial
New Malden, 7 Beverley Way	Retail Warehouse
Andover, Keens House, Anton Mill Road	Office
Milton Keynes, Site E, Chippenham Drive	Industrial
Leamington Spa, 30-40 The Parade & 47/59A Warwick Street	Retail
London, 24 Haymarket & 1-2 Pantom Street*	Retail
Bromsgrove, Brook Retail Park, Sherwood Road	Retail Warehouse
Chelmsford, County House, County Square	Office
High Wycombe, Glory Park	Office
Properties valued between £5.0 million and £7.5 million	
Northallerton, Willowbeck Road	Retail Warehouse
Winchester, 7-8 High Street & 50 Colebrook Street	Retail
Luton, Enterprise Way	Retail Warehouse
Nottingham, Standard Hill	Office
St Albans, 16, 18 & 20 Upper Marlborough Road	Office
Bury, Halls Mill Retail Park, Foundry Street	Retail Warehouse
Guildford, 51-53 High Street	Retail
Rotherham, Northfields Retail Park	Retail Warehouse
Nelson, Churchill Way	Retail Warehouse
Properties valued under £5.0 million	
Newbury, The Triangle, Pinchington Lane	Retail Warehouse
Bellshill, Mercury House, Strathclyde Business Park	Office
Sunningdale, 53/79 Chobham Road, Berkshire	Retail
Nottingham, 21/22 Long Row East and 2/6 King Street	Retail
Nottingham, Park View House	Office
Rayleigh, 41/47 High Street	Retail
Kingston upon Thames, 11 Church Street	Retail
Redhill, 15 London Road	Office
Nottingham, 25-27 Bridlesmith Gate	Retail
Sutton Coldfield, 63-67 The Parade	Retail
Rayleigh, 81/87 High Street	Retail
Gateshead, Sands Road, Swalwell	Retail Warehouse
Birmingham, 155a/163 High Street, Kings Heath	Retail

* Leasehold Property

Statement of Principal Risks and Uncertainties

The Group's assets consist of direct investments in UK commercial property. Its principal risks are therefore related to the UK commercial property market in general but also the particular circumstances of the properties in which it is invested and their tenants. Other risks faced by the Group include market, investment and strategic, regulatory, tax efficiency, financial, reporting, credit, geo-political, operational and environmental risks. The Group is also exposed to risks in relation to its financial instruments. These risks,

and the way in which they are mitigated and managed, are described in more detail under the heading 'Principal Risks and Risk Management' within the Business Model and Strategy in the Group's Annual Report for the year ended 30 June 2018. The Group's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Group's financial year.

Statement of Directors' Responsibilities in Respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- the Chairman's Statement constituting the Interim Management Report together with the Statement of Principal Risks and Uncertainties include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and

- the Chairman's Statement together with the consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

Vikram Lall

Chairman

22 March 2019

Condensed Consolidated Statement of Comprehensive Income

		For the period ended		
		Six months to 31 December 2018 (unaudited) £'000	Six months to 31 December 2017 (unaudited) £'000	Year to 30 June 2018 (audited) £'000
Notes	Revenue			
	Rental income	9,380	9,403	19,134
	Other income	-	4,375	4,375
	Total revenue	9,380	13,778	23,509
	Gains/(losses) on investment properties			
	5 Gains on sale of investment properties realised	24	20	1,568
	5 Unrealised (losses)/gains on revaluation of investment properties	(5,466)	7,711	14,851
	Total income	3,938	21,509	39,928
	Expenditure			
	Investment management fee	(1,064)	(1,052)	(2,156)
	2 Other expenses	(943)	(866)	(1,619)
	Total expenditure	(2,007)	(1,918)	(3,775)
	Net operating profit before finance costs and taxation	1,931	19,591	36,153
	Net finance costs			
	Interest receivable	4	1	2
	Finance costs	(1,797)	(1,766)	(3,550)
		(1,793)	(1,765)	(3,548)
	Net profit from ordinary activities before taxation	138	17,826	32,605
	Taxation on profit on ordinary activities	(147)	(147)	(295)
	(Loss)/profit for the period	(9)	17,679	32,310
4 Basic and diluted earnings per share	0.0p	7.3p	13.4p	

All items in the above statement derive from continuing operations.

All of the profit for the period is attributable to the owners of the Group.

Condensed Consolidated Balance Sheet

As at				
Notes		31 December 2018 (unaudited) £'000	31 December 2017 (unaudited) £'000	30 June 2018 (audited) £'000
	Non-current assets			
5	Investment properties	343,093	346,449	349,268
	Trade and other receivables	3,354	3,894	3,692
		346,447	350,343	352,960
	Current assets			
	Trade and other receivables	2,394	1,277	1,282
	Cash and cash equivalents	9,354	9,578	15,037
		11,748	10,855	16,319
	Total assets	358,195	361,198	369,279
	Non-current liabilities			
6	Interest-bearing bank loans	(96,418)	(102,170)	(102,299)
	Trade and other payables	(158)	(248)	(291)
		(96,576)	(102,418)	(102,590)
	Current liabilities			
	Trade and other payables	(6,383)	(6,130)	(5,279)
	Tax payable	(147)	(147)	(294)
		(6,530)	(6,277)	(5,573)
	Total liabilities	(103,106)	(108,695)	(108,163)
	Net assets	255,089	252,503	261,116
	Represented by:			
8	Share capital	2,407	2,407	2,407
	Special distributable reserve	177,161	177,161	177,161
	Capital reserve	72,251	69,005	77,693
	Revenue reserve	3,270	3,930	3,855
	Equity shareholders' funds	255,089	252,503	261,116
9	Net asset value per share	106.0p	104.9p	108.5p

Condensed Consolidated Statement of Changes in Equity

For the period ended 31 December 2018						
Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000	
	2,407	177,161	77,693	3,855	261,116	
	-	-	-	(9)	(9)	
3	-	-	-	(6,018)	(6,018)	
	-	-	(5,442)	5,442	-	
	2,407	177,161	72,251	3,270	255,089	
For the period ended 31 December 2017						
Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000	
	2,407	177,161	61,274	-	240,842	
	-	-	-	17,679	17,679	
3	-	-	-	(6,018)	(6,018)	
	-	-	7,731	(7,731)	-	
	2,407	177,161	69,005	3,930	252,503	
For the year ended 30 June 2018						
Notes	Share Capital £'000	Special Distributable Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000	
	2,407	177,161	61,274	-	240,842	
	-	-	-	32,310	32,310	
3	-	-	-	(12,036)	(12,036)	
	-	-	16,419	(16,419)	-	
	2,407	177,161	77,693	3,855	261,116	

Condensed Consolidated Statement of Cash Flows

For the period ended		Six months to 31 December 2018 (unaudited) £'000	Six months to 31 December 2017 (unaudited) £'000	Year to 30 June 2018 (audited) £'000
Notes				
Cash flows from operating activities				
	Net profit for the period before taxation	139	17,826	32,605
	Adjustments for:			
5	Gains on sale of investment properties realised	(24)	(20)	(1,568)
5	Unrealised losses/(gains) on revaluation of investment properties	5,466	(7,711)	(14,851)
	(Increase)/decrease in operating trade and other receivables	(774)	14	211
	Increase/(decrease) in operating trade and other payables	971	3	(805)
	Interest received	(4)	(1)	(2)
	Finance costs	1,797	1,766	3,550
	Taxation paid	7,571	11,877	19,140
		(294)	(306)	(306)
	Net cash inflow from operating activities	7,277	11,571	18,834
Cash flows from investing activities				
	Purchase of investment properties	-	(10,191)	(10,190)
5	Capital expenditure	(341)	(986)	(1,067)
5	Sale of investment properties	1,074	3,293	9,242
	Interest received	4	1	2
	Net cash inflow/(outflow) from investing activities	737	(7,883)	(2,013)
Cash flows from financing activities				
3	Dividends paid	(6,018)	(6,018)	(12,036)
	Bank loan interest paid	(1,679)	(1,657)	(3,313)
	Bank loan repaid, net of costs - Barclays	(6,000)	(3,000)	(3,000)
	Net cash outflow from financing activities	(13,697)	(10,675)	(18,349)
	Net decrease in cash and cash equivalents	(5,683)	(6,987)	(1,528)
	Opening cash and cash equivalents	15,037	16,565	16,565
	Closing cash and cash equivalents	9,354	9,578	15,037

Notes to the Condensed Financial Statements

1. General information

The condensed consolidated financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority, IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Group for the year ended 30 June 2018. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements for the Group for the year ended 30 June 2018 which were prepared under full IFRS requirements. The accounting policies used in preparation of the condensed consolidated financial statements are consistent with those of the consolidated financial statements of the Group for the year ended 30 June 2018.

2. Other expenses

	Six months to 31 December 2018 (unaudited) £'000	Six months to 31 December 2017 (unaudited) £'000	Year to 30 June 2018 (audited) £'000
Direct operating expenses of let rental property	379	457	672
Direct operating expenses of vacant property	142	(7)	109
Provision for bad debts	-	3	12
Administrative fee	54	52	105
Valuation and other professional fees	113	114	234
Directors' fees	77	77	154
Other expenses	178	170	333
	943	866	1,619

3. Dividends

	Six months to 31 December 2018		Six months to 31 December 2017		Year ended 30 June 2018	
	£'000	Rate (pence)	£'000	Rate (pence)	£'000	Rate (pence)
Property Income Distributions:						
Fourth interim for the prior year	3,009	1.25	3,009	1.25	3,009	1.25
First interim	3,009	1.25	3,009	1.25	3,009	1.25
Second interim	-	-	-	-	3,009	1.25
Third interim	-	-	-	-	3,009	1.25
	6,018	2.50	6,018	2.50	12,036	5.00

A second interim dividend for the year to 30 June 2019, of 1.25 pence per share, will be paid on 29 March 2019 to shareholders on the register at close of business on 15 March 2019.

Notes to the Condensed Financial Statements

(continued)

4. Earnings per share

Earnings per Ordinary Share are based on 240,705,539 Ordinary Shares, being the weighted average number of shares in issue during the period (31 December 2017: 240,705,539 and 30 June 2018: 240,705,539). Earnings for the six months to 31 December 2018 should not be taken as a guide to the results for the year to 30 June 2019.

5. Investment properties

	Six months to 31 December 2018 £'000	Six months to 31 December 2017 £'000	Year ended 30 June 2018 £'000
Freehold and leasehold properties			
Opening market value	353,625	335,350	335,350
Purchase of investment properties	-	10,191	10,190
Capital expenditure	341	986	1,067
Sales - net proceeds	(1,074)	(3,293)	(9,242)
- (losses)/gains on sales	(3,426)	900	1,686
Unrealised losses/(gains) realised during the period	3,450	(880)	(118)
Unrealised gains on investment properties	4,718	12,013	20,337
Unrealised losses on investment properties	(10,184)	(4,302)	(5,486)
Movement in lease incentive receivable	(150)	(235)	(159)
Closing market value	347,300	350,730	353,625
Adjustment for lease incentives	(4,207)	(4,281)	(4,357)
Balance sheet carrying value	343,093	346,449	349,268

All the Group's investment properties were valued as at 31 December 2018 by qualified professional valuers working in the company of Cushman & Wakefield. All such valuers are chartered surveyors, being members of the Royal Institution of Chartered Surveyors ('RICS'). There were no significant changes to the valuation techniques used during the period and these valuation techniques are detailed in the consolidated financial statements as at and for the year ended 30 June 2018. The market value of these investment properties amounted to £347,300,000 (31 December 2017: £350,730,000; 30 June 2018: £353,625,000), however an adjustment has been made for lease incentives of £4,207,000 that are already accounted for as an asset (31 December 2017: £4,281,000; 30 June 2018: £4,357,000).

6. Interest-bearing bank loans

On 9 November 2015, the Group entered into an eleven year £90 million non-amortising term loan agreement with Canada Life and a five year £20 million revolving credit facility agreement with Barclays. The interest rate payable on the Canada Life loan is at a fixed rate of 3.36% per annum and the interest payable on the Barclays loan is at a variable rate based on 3 month LIBOR plus a margin of 1.45% per annum. During the period, the Company repaid £6 million of the revolving credit facility to Barclays.

At 31 December 2018 borrowings of £97 million were drawn down. The balance sheet value is stated at an amortised cost of £96,418,000 (31 December 2017: £102,170,000 and 30 June 2018: £102,299,000). Amortised cost is calculated by deducting loan arrangement costs, which are amortised back over the life of the loan. The fair value of the Canada Life loan is shown in note 7.

7. Fair value measurements

The fair value measurements for financial assets and financial liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

- Level 1 – Unadjusted, fully accessible and current quoted prices in active markets for identical assets or liabilities. Examples of such instruments would be investments listed or quoted on any recognised stock exchange.
- Level 2 – Quoted prices for similar assets or liabilities, or other directly or indirectly observable inputs which exist for the duration of the period of investment. Examples of such instruments would be those for which the quoted price has been suspended, forward exchange rate contracts and certain other derivative instruments.
- Level 3 – External inputs are unobservable. Fair value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instruments.

All of the Group's investments in direct property are included in Level 3 as it involves the use of significant inputs. There were no transfers between levels of the fair value hierarchy during the six month period ended 31 December 2018.

Other than the fair values stated in the table below, the fair value of all other financial assets and liabilities is not materially different from their carrying value in the financial statements.

	31 December 2018 £'000	31 December 2017 £'000	30 June 2018 £'000
£90 million Canada Life Loan 2026*	(96,586)	(97,334)	(96,996)

*The fair value of the interest-bearing Canada Life Loan is based on the yield on the Treasury 2% 2025 which would be used as the basis for calculating the early repayment of such loan plus the appropriate margin.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2018.

8. Share capital

	£'000
Allotted, called-up and fully paid	
240,705,539 Ordinary Shares of 1 pence each in issue at 31 December 2018	2,407

The Company issued nil Ordinary Shares during the period.

Notes to the Condensed Financial Statements

(continued)

9. Net asset value per share

	Six months to 31 December 2018	Six months to 31 December 2017	Year ended 30 June 2018
Net asset value per ordinary share – pence	106.0	104.9	108.5
Net assets attributable at the period end (£'000)	255,089	252,503	261,116
Number of ordinary shares in issue at the period end	240,705,539	240,705,539	240,705,539

10. Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. They have considered the current cash position of the Group, the availability of the loans and compliance with their covenants, forecast rental income and other forecast cash flows. The Group has agreements relating to its borrowing facilities with which it has complied during the period. Based on this information the Directors believe that the Group has the ability to meet its financial obligations as they fall due for a period of at least twelve months from the date of the approval of the accounts. For this reason, they continue to adopt the going concern basis in preparing the accounts.

11. Related party transactions

The Directors of the Company received fees for their services and dividends from their shareholdings in the Company. No fees remained payable at the period end.

12. Operating segments

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Group has only a single operating segment. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the total return of the Group's net asset value, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed consolidated financial statements.

13. Investment in subsidiary undertakings

The Group results consolidate those of IRP Holdings Limited ('IRPH') and IPT Property Holdings Limited ('IPTH'). IRPH and IPTH are companies incorporated in Guernsey whose principal business is that of a property investment company. These companies are 100 per cent owned by the Group's ultimate parent company, which is F&C UK Real Estate Investments Limited.

14. Subsequent events

There are no material subsequent events that need to be disclosed.

Shareholder Information

Dividends

Ordinary dividends are paid quarterly in March, June, September and December each year. Shareholders who wish to have dividends paid directly into a bank account rather than by cheque to their registered address can complete a mandate form for the purpose. Mandates may be obtained from Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES on request. Where dividends are paid directly to shareholders' bank accounts, dividend tax vouchers are sent to shareholders' registered addresses.

Share Price

The Company's Ordinary Shares are listed on the Main Market of the London Stock Exchange. Prices are given daily in the Financial Times under "Investment Companies" and in other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to Computershare Investor Services (Guernsey) Limited, c/o Queensway House, Hilgrove Street, St. Helier, Jersey JE1 1ES under the signature of the registered holder.

Shareholder Enquiries

Contact Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, Channel Islands GY1 3QL. Additional information regarding the Company may also be found on its website:

fcre.co.uk
fcre.gg

Financial Calendar 2019

April 2019	Q3 2019 Net Asset Value announcement
July 2019	Q4 2019 Net Asset Value announcement
September 2019	Announcement of annual results
October 2019	Q1 2020 Net Asset Value announcement
November 2019	Annual General Meeting

Warning to Shareholders – Beware of Share Fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you are approached by fraudsters please tell the Financial Conduct Authority ('FCA') by using the share fraud reporting form at fca.org.uk/scams where you can find out more about investment scams. You can also call the FCA Consumer Helpline on **0800 111 6768**. If you have already paid money to share fraudsters you should contact Action Fraud on **0300 123 2040**.

How to Invest

One of the most convenient ways to invest in F&C UK Real Estate Investments Limited is through one of the savings plans run by BMO Investments.

BMO Investment Trust ISA

You can use your ISA allowance to make an annual tax-efficient investment of up to £20,000 for the 2018/19 tax year with a lump sum from £500 or regular savings from £50 a month per Trust. You can also transfer any existing ISAs to us whilst maintaining the tax benefits.

BMO Junior ISA (JISA)*

You can invest up to £4,260 for the tax year 2018/19 from £500 lump sum or £30 a month per Trust, or a combination of both. Please note, if your child already has a Child Trust Fund (CTF), then you cannot open a separate JISA, however you can transfer the existing CTF (held either with BMO or another provider) to a BMO JISA.

BMO Child Trust Fund (CTF)*

If your child has a CTF you can invest up to £4,260 for the 2018/19 tax year, from £100 lump sum or £25 a month per Trust, or a combination of both. You can also transfer a CTF from another provider to a BMO CTF. Please note, the CTF has been replaced by the JISA and is only available to investors who already hold a CTF.

BMO General Investment Account (GIA)

This is a flexible way to invest in our range of Investment Trusts. There are no maximum contributions, and investments can be made from £500 lump sum or £50 a month per Trust. You can also make additional lump sum top-ups at any time from £250 per Trust.

BMO Junior Investment Account (JIA)

This is a flexible way to save for a child in our range of Investment Trusts. There are no maximum contributions, and the plan can easily be set up under bare trust (where the child is noted as the beneficial owner) or kept in your name if you wish to retain control over the investment. Investments can be made from a £250 lump sum or £25 a month per Trust. You can also make additional lump sum top-ups at any time from £100 per Trust.

*The CTF and JISA accounts are opened in the child's name and they have access to the money at age 18. **Calls may be recorded or monitored for training and quality purposes.

Charges

Annual management charges and other charges apply according to the type of plan.

Annual account charge

ISA: £60+VAT
PIP: £40+VAT
JISA/CIP/CTF: £25+VAT

You can pay the annual charge from your account, or by direct debit (in addition to any annual subscription limits).

Dealing charges

ISA: 0.2%
PIP/CIP/JISA: postal instructions £12, online instructions £8 per Trust.

Dealing charges apply when shares are bought or sold but not on the reinvestment of dividends or the investment of monthly direct debits for the GIA, JIA and JISA.

There are no dealing charges on a CTF but a switching charge of £25 applies if more than 2 switches are carried out in one year.

Government stamp duty of 0.5% also applies on the purchase of shares (where applicable).

There may be additional charges made if you transfer a plan to another provider or transfer the shares from your plan.

The value of investments can go down as well as up and you may not get back your original investment. Tax benefits depend on your individual circumstances and tax allowances and rules may change. Please ensure you have read the full Terms and Conditions, Privacy Policy and relevant Key Features documents before investing. For regulatory purposes, please ensure you have read the Pre-sales cost disclosures related to the product you are applying for, and the relevant Key Information Documents (KIDs) for the investment trusts you are wanting to invest into.

How to Invest

To open a new BMO plan, apply online at bmogam.com/apply

Note, this is not available if you are transferring an existing plan with another provider to BMO, or if you are applying for a new plan in more than one name.

New Customers

Call: **0800 136 420**** (8.30am – 5.30pm, weekdays)
Email: info@bmogam.com

Existing Plan Holders

Call: **0345 600 3030**** (9.00am – 5.00pm, weekdays)
Email: investor.enquiries@bmogam.com
By post: BMO Administration Centre
PO Box 11114
Chelmsford
CM99 2DG

You can also invest in the trust through online dealing platforms for private investors that offer share dealing and ISAs. Companies include: **Alliance Trust Savings, Barclays Stockbrokers, Halifax, Hargreaves Lansdown, HSBC, Interactive Investor, Lloyds Bank, Selftrade, The Share Centre**

BMO  | A part of BMO Financial Group

BMO Asset Management Limited

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Alternative Performance Measures

The Company uses the following Alternative Performance Measures ('APMs'). APMs do not have a standard meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other entities.

Discount or Premium – The share price of an Investment Company is derived from buyers and sellers trading their shares on the stock market. If the share price is lower than the NAV per share, the shares are trading at a discount. This usually indicates that there are more sellers than buyers. Shares trading at a price above the NAV per share, are said to be at a premium.

Dividend Cover – The percentage by which profits for the year (less gains/losses on investment properties) cover the dividend paid.

A reconciliation of dividend cover is shown below:

	Six months to 31 December 2018 £'000	Six months to 31 December 2017 £'000	Year to 30 June 2018 £'000
(Loss)/profit for the year	(9)	17,679	32,310
Add back: Realised gains	(24)	(20)	(1,568)
Unrealised losses/(gains)	5,466	(7,711)	(14,851)
Other income	-	(4,375)	(4,375)
Profit before investment gains and losses	5,433	5,573	11,516
Dividends	6,018	6,018	12,036
Dividend Cover percentage	90.3%	92.6%	95.7%

Dividend Yield – The annualised dividend divided by the share price at the period end. An analysis of dividends is contained in note 3 to the accounts.

Net Gearing – Borrowings less net current assets divided by value of investment properties.

Portfolio (Property) Capital Return – The change in property value during the period after taking account of property purchases and sales and capital expenditure, calculated on a quarterly time-weighted basis.

Portfolio (Property) Income Return – The income derived from a property during the period as a percentage of the property value, taking account of direct property expenditure, calculated on a quarterly time-weighted basis.

Portfolio (Property) Total Return – Combining the Portfolio Capital Return and Portfolio Income Return over the period, calculated on a quarterly time-weighted basis.

Total Return – The return to shareholders calculated on a per share basis by adding dividends paid in the period to the increase or decrease in the Share Price or NAV. The dividends are assumed to have been reinvested in the form of Ordinary Shares or Net Assets, respectively, on the date on which they were quoted ex-dividend.

Corporate Information

Directors

Vikram Lall (Chairman)[‡]
Andrew Gulliford
Mark Carpenter[§]
David Ross[†]
Alexa Henderson^{*}

Secretary

Northern Trust International Fund Administration
Services (Guernsey) Limited
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL
Tel: 01481 745001

Alternative Investment Fund Manager ('AIFM') and Investment Manager

BMO Investment Business Limited
Quartermile 4
7a Nightingale Way
Edinburgh EH3 9EG

Property Manager

BMO REP Property Management Limited
7 Seymour Street
London W1H 7BA

Property Valuers

Cushman & Wakefield
48 Warwick Street
London W1B 5NL

Auditor

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glatigny Esplanade
St Peter Port
Guernsey GY1 4ND

Guernsey Legal Advisers

Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

UK Corporate Legal Advisers

Dickson Minto
Broadgate Tower
20 Primrose Street
London EC2A 2EW

Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HP

Corporate Brokers

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

Depository

JPMorgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Website:

fcrc.co.uk or fcrc.gg

[‡] Chairman of the Nomination Committee

[§] Chairman of the Property Valuation Committee

[†] Chairman of the Management Engagement Committee

^{*} Chairman of the Audit Committee



The Association of
Investment Companies




F&C UK Real Estate Investments Limited

Interim Report 2018

Registered Office


 PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3QL

 Tel: 01481 745001

 fcre.co.uk
fcre.gg

Registrars and Transfer Office

 Computershare Investor Services (Guernsey) Limited
c/o Queensway House
Hilgrove Street
St Helier Jersey
Channel Islands JE1 1ES

 Registrars' Shareholder Helpline: +44 370 702 0003*

* Lines open 8.30 am to 5.30 pm, Monday to Friday, excluding public holidays in England and Wales.
Calls to this number are charged at £1 per minute from a BT landline. Other telephony providers' costs may vary.
Local overseas call rates will apply.

